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Commissioner

March 20, 2006

Frank M. Schuster
2803 Mockingbird Court
Prospect, KY 40059

RE: Case No. 2006-00045

Dear Mr. Schuster:

This is in response to your letter received on March 13, 2006 regarding your concerns in the case referenced above. Your letter is being treated as an official protest and will be placed in the case file of this proceeding. The Commission will take your concerns into consideration in its review and decision in this matter.

The Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention, has filed to be a full intervenor in this matter. You may want to make the Attorney General aware of your concerns by contacting him at 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.

Regarding your second issue relating to natural gas cost, the cost of gas recovered by gas utilities such as LG&E does not directly track changes in spot market prices on a real-time basis. Some gas is purchased at spot prices, some purchased through short-term contracts and some is purchased based on longer term price indices. For operational purposes, LG&E can only purchase somewhere between 40 to 50 percent of its gas in the summer and fall, for storage, to be withdrawn during the winter. Summer and fall wholesale prices in 2005 reached record levels which were significantly above \$7.00 per Mcf; therefore, gas withdrawn from storage, while needed to meet winter heating demands, was higher priced than in the past. Another cost in addition to the commodity cost is the fee retail utilities must also pay the interstate pipelines to deliver their gas.

Mr. Frank M. Schuster
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You may view Orders and data requests issued by the Commission or other formal case documents on our website <http://psc.ky.gov>.

Thank you for your letter of interest and concern in this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell", with a large, sweeping flourish at the end.

Beth O'Donnell
Executive Director

BOD/jc

cc: Parties of Record

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